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# In Debt for College: Does Gender Make a Difference?

By Jane Sjogren

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*Borrowing for undergraduate education has become an increasingly important means of meeting the rising costs of obtaining an undergraduate degree. Women now outnumber men as undergraduates and, for the first time, there are now more women borrowing for college than men. This article uses three national data sets to investigate differences in borrowing between female and male undergraduates. It finds that while there are some differences in both borrowing patterns and behaviors between men and women, men and women are borrowing similar amounts. In light of the shift toward borrowing in federal financial aid policy, this evidence indicates that equal access to financial capital for investment in human capital results in comparable investment behavior in undergraduate education for men and women.*

Twenty years ago, student borrowing for undergraduate education was far less common than it is today. As more students go to college and as the cost of college attendance has risen, students and their families now rely much more heavily on federal student financial aid. Over the past decade, the dominant form of federal student financial aid has changed from grants to loans, producing what The College Board refers to as a "sea-change" in how students and their families finance postsecondary education. Today, over half of undergraduate students borrow, and loans now comprise almost 60% of student aid. (College Board, 1997). Federal lending, long the largest source of loans for education to students and their families, has increased by a factor of ten in nominal dollars and nearly trebled in constant (inflation-adjusted) dollars. This has been especially the case since 1992, when Congress expanded both eligibility and loan limits; between 1992 and 1996, the number of loans increased from 6 to 8 million and loan volume increased from \$17 billion to \$30 billion in 1996 dollars (College Board, 1997).

The increased use of loans introduces new questions concerning the efficiency and equity of loan-based student support for higher education. With respect to efficiency, economists' prevailing view of labor "markets," in which investments in human capital (i.e., one's own productive capacity) are "supply-side" based, forms the underpinning of loan-based support policies. With respect to equity, loans are viewed as a vehicle for equalizing access to higher education while simultaneously maximizing use of an individual's own inherent characteristics.<sup>1</sup>

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<sup>1</sup> Another issue with respect to equity is the change from inter- to intra-generational distribution of the costs of higher education implicit in increased use of loans among students.

## **Women and Higher Education**

Whether one accepts the market-based view of labor and the derived demand for higher education, or a more structural view,<sup>2</sup> the amount of investment in human capital through higher education has continued to increase, especially among women. This has occurred despite large increases in costs of attendance. Loans have become a common means of financing the cost of that investment (see, for example, McPherson & Schapiro, 1997; TERI, 1995; King, 1997; Baum & Saunders, 1997; and Farran, 1996).

The number of women attending and graduating from college has increased substantially, both proportionally and absolutely. In 1973, 44% of undergraduates were women; by 1993 (the year on which most this report focuses) that proportion increased to 55% (NCES, 1996). Sixty-five percent of women graduating from high school enrolled in higher education within twelve months of graduation, compared to 60% of men. In the past decade, the proportion of bachelor's degrees earned by women has increased to 54% (59% for associate degrees earned by women). Partly as a result, 54% of master's degrees are now earned by women, as are 40% of first professional degrees (up from 7% two decades ago) and 38% of doctoral degrees (NCES, 1996).

Over the same period, women's labor force participation rates increased from 52% to 75%, while men's dropped from 96% to 92%. Women with a bachelor's degree are especially likely to be in the labor force; their labor force participation rate is 82% (men's is 94%). However, women's earnings continue to lag behind men's earnings (U.S. Department of Labor, 1998).

Clearly, more women are investing more of their human capital in undergraduate education. Access to the financial capital for this investment is an important issue, especially as the cost of a college education increases.

## **The Escalating Cost of a College Education**

Even as larger numbers and proportions of women are enrolling in college, the cost of attending college has continued to rise, despite a slowdown in the rate of increase in recent years. For example, the National Commission Cost of Higher Education (1998) found that even after subtracting out financial aid, the annual "price" of attendance for undergraduate students and their families has risen substantially in the past decade as shown in Table 1.

In 1992-93, the average cost of attendance was \$8,904 at 4-year public institutions and \$14,279 at private 4-year colleges (College Board, 1997). Cost of attendance as a proportion of family income has continued to rise substantially, particularly in the past decade. For example, tuition costs at public colleges, with their generally lower tuition, averaged 14% of median family income in 1972-73, and rose to 17.3% by 1992-93 (and 17.3% in 1995-96). Cost of attendance as a percentage

<sup>2</sup> See Galbraith (1996), for example.

**TABLE 1**  
**Changes in Cost of Attendance**  
**Between 1987 and 1996 at Four-year Institutions**

	1987		1996	
	Public 4-year	Private 4-year	Public 4-year	Private 4-year
Total cost of attendance*	\$5,146	\$10,896	\$10,759	\$20,003
(% change)			109%	141%
Cost minus grants	\$4,385	\$8,307	\$9,365	\$15,069
(% change)			114%	81%
Cost minus all aid	\$3,715	\$6,823	\$7,262	\$11,205
(% change)			95%	64%

\* Tuition, fees, room, and board

Source: *The National Commission on the Cost of Higher Education, 1998.*

of median family income rose at private colleges from 29% to 41% in the same period, and to 43.3% in 1995-96 (Davis, 1997).

For both men and women, borrowing has taken an increasingly important role in meeting the escalating cost of a college education, so much so that the National Commission on the Cost of Higher Education has expressed its "unanimous concern" about this trend (National Commission on the Cost of Higher Education, 1998).

### Significant Increases in Student Borrowing

Students borrow from several sources. The Federal Stafford Loan and Direct Loan programs are the largest and best-documented sources of borrowing for undergraduates. In 1996-97, these programs issued 28.6 billion dollars in new loans, both subsidized and unsubsidized, to students and their families. Additional federal loan programs include the Federal Perkins Loan (subsidized), the unsubsidized Parent Loans to Undergraduate Students (PLUS), and the now defunct unsubsidized Supplemental Loans for Students (SLS) programs. Other formal lending sources include state programs, institutional lending, and other private sources. It is estimated that in 1996, federal loan programs accounted for 95.8% of formal student loan dollars, while the state and private sources accounted for approximately 1% and 3%, respectively (College Board, 1997).<sup>3</sup>

Borrowing through federal student loan programs has risen significantly in the past decade. Between FFY 1990 and

<sup>3</sup> Although detailed data by gender were not yet available from NPSAS 1995-96 at the time this report was completed, it is useful to note that dependent undergraduates (those receiving significant financial support from their families) were more likely to have received any loan aid (30.5%) than independent students (20.9%).

**Undergraduate  
Borrowing  
Behaviors of  
Women and Men**

FFY 1993, the number of students at public and private four-year colleges who received funds through the Federal Stafford Loan and SLS programs rose by 53% and the amounts borrowed rose by 73%. Since then, there has been an even more dramatic increase in borrowing, as noted by Davis (1997) and NCES (1997) among others. At this time, federal data describing these increases are just starting to become available.

Students also borrow from other sources such as families, friends, and personal credit. There is some indication that such informal borrowing is also rising significantly (King, 1997; Baum & Saunders, 1997). However, data on borrowing from private sources, including credit cards, are generally incomplete.

At this time, several useful data sources include information on undergraduate borrowing. This report uses data from the three best known of these. First is Baccalaureate and Beyond Longitudinal Study 93/94 (B&B:93/94), a large-scale data set on undergraduate students in college during the late 1980s and early 1990s, who received bachelor's degrees in 1992-93.<sup>4</sup> A second data source, the 1996 National Student Loan Survey (NASLS), is more recent but smaller. It describes students who graduated from college in the period 1992-95.

Finally, some data that describes students receiving bachelor's degrees in 1995-96 are from the large-scale National Postsecondary Student Aid Survey (NPSAS:96), when available.<sup>5</sup>

*Borrower Characteristics*

Borrowing among all undergraduates, both male and female, has increased, particularly in recent years. Table 2 contains the most recently available data on undergraduate borrowing.

Currently, over half of all undergraduate students use loans to help finance their education, an all-time high proportion. The National Commission on the Cost of Higher Education (1998) and others suggest that a combination of three factors contributed to this increase: (1) higher loan limits and less restrictive eligibility requirements for federal loans established in 1992; (2) increased cost of attendance; and (3) family choice to borrow rather than use savings or current income.<sup>6</sup>

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<sup>4</sup> Thus, this report does not describe those who attended college (and may have incurred debt while doing so) but did not complete their degree. These students are described in the Beginning Postsecondary Student survey (see NCES, 1998).

<sup>5</sup> Several sources document the significant increase in student borrowing since 1993-94 (see, for example, NCES, 1998). However, only the recent NPSAS:96 data capture this change and these data were not wholly available at the time this report was completed. Thus, the data in this report may underestimate current student borrowing in terms of rates and amounts.

<sup>6</sup> It is interesting to note that the Commission finds no conclusive evidence that loans have contributed to rising costs and prices (National Commission on the Cost of Higher Education, 1998).

**TABLE 2**  
**Borrowing by Undergraduates Receiving**  
**Bachelor's Degrees in 1992-93 and 1995-96**

	1992-93	1995-96
<b>Percent Who Borrowed</b>		
Public 4-year	35%	52%
Private (non-profit) 4-year	41%	54%
<b>Average Amount Borrowed</b>		
Public 4-year	\$7,400	\$11,950
Private (non-profit) 4-year	\$10,190	\$14,290

Source: NPSAS:93 and NPSAS:96.

Female and male undergraduates show very similar behavior in terms of the proportion borrowing from federal sources in 1995-96, as shown in Table 3. During the 1995-96 academic year, female undergraduates were slightly more likely than their male counterparts to borrow from federal lending sources, particularly at private institutions. The number of undergraduates who are women and their higher likelihood of borrowing means that approximately 400,000 more women than men borrowed as a means of financing a college education in 1995-96.

**TABLE 3**  
**Federal Student Loan Aid Borrowed by**  
**Undergraduates in 1995-96**

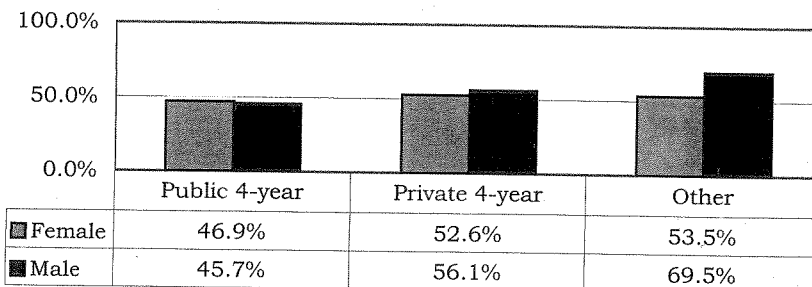
	All Students	Female	Male
Public 4-year	52.0%	51.7%	52.2%
Private (non-profit) 4-year	54.0%	57.4%	49.6%
<b>Total</b>	<b>51.4%</b>	<b>53.8%</b>	<b>51.4%</b>

Source: NPSAS:96.

The B&B:93/94 and NASLS data sets offer a more complete view of the contrasts between female and male borrowers, but they are limited to students who received a bachelor's degree in 1992-93. Those borrowers reported total debt from all sources acquired during their undergraduate years: 49% of women and 50% of men reported borrowing from any source to help pay for their undergraduate education, notably comparable proportions.

Borrowing patterns by type of institution attended show only slight differences between women and men (see Chart 1). Over half of the students in conventional four-year schools, both public and private (non-profit), reported borrowing at some time in their undergraduate career. Women attending public institutions, which tend to be lower cost than private institutions, were just as likely to have borrowed as their male counterparts. However, at relatively higher cost private institutions, men were slightly more likely to have borrowed (52.6% compared to 56.1%). At "other" institutions, which include public and private two-year institutions as well as at for-profit institutions, men were even more likely to have borrowed; at these institutions slightly over half of the women borrowed, while nearly 70% of male undergraduates borrowed sometime during their undergraduate years.<sup>7</sup>

**CHART 1**  
**Percentage of Undergraduates Who Borrowed,**  
**By Type of Institution**



Source: B&B:93/94

When borrowers are characterized by ethnicity/race, for both blacks and whites, borrowing rates by gender were very similar, as shown on Table 4.

Just under half of both white females and males borrowed at some time during their undergraduate years. For blacks, borrowing rates were higher but similar for both genders: 64.9% for women and 62.5% for men. However, Hispanic students showed some difference from others; borrowing was somewhat less for women (58.6%) than for men (63.5%). Sample sizes for other groups were too small for generalization.

<sup>7</sup> The B&B sample includes borrowing of any kind, and includes debt from federal, state, institutional, family, and other private sources. It also includes any borrowing over the respondent's four or more years of undergraduate education. The NPSAS data reflect only borrowing from federal sources. Hence the NPSAS numbers, though more current, show somewhat lower rates and amounts of borrowing.

**TABLE 4**  
**Percentage of Undergraduates Who Borrowed,**  
**By Ethnicity/Race**

	Female	Male
Black/non-Hispanic	64.9%	62.5%
Hispanic	58.6%	63.5%
White	47.4%	48.2%
Asian/Pacific Islander (small n)	34.1%	49.6%
American Indian/Alaskan Native (small n)	74.6%	NA

Source: B&B:93/94.

*Amounts of Indebtedness*

The NPSAS:96 data indicate that women's indebtedness from federal loan programs in recent years is slightly higher than men's (see Table 5).

**TABLE 5**  
**Average Undergraduate Indebtedness**  
**From Federal Student Loan Programs**

	All Students	Female	Male
Public 4-year	\$11,950	\$12,477	\$11,260
Private (non-profit) 4-year	\$14,290	\$14,081	\$14,621
<b>Total</b>		<b>\$13,138</b>	<b>\$12,490</b>

Source: NPSAS:96.

For students graduating in 1992-93, the B&B:93/94 data in Table 6 indicate that the mean amount of debt was about 5% higher for men than for women: \$9,945 for women and \$10,428 for men.<sup>8</sup>

<sup>8</sup> The NASLS data, though slightly more recent and reflecting a multi-year sample of students, support this, showing median undergraduate debt of \$10,500 (and mean debt of \$12,100). Women owed an average of \$10,700 and men an average of \$12,600 in undergraduate debt. (Baum & Saunders, 1997).



**TABLE 6**  
**Average Undergraduate Indebtedness from All Sources**

	Female	Male
<b>Percent Who Borrowed</b>	49.0%	49.7%
<b>Average Amount Borrowed</b>		
< \$5,000	29.9%	28.0%
\$5,000 to 9,999	27.9%	29.0%
\$10,000 to 14,999	20.8%	20.3%
\$15,000 to 19,99	10.7%	11.0%
\$20,000 or more	11.3%	11.8%
<b>Average Total Debt</b>	\$9,945	\$10,428

Source: B&B:93/94.

The NASLS data also show female/male similarities in indebtedness (see Table 7), which indicates that women are somewhat more likely than men to have lower indebtedness at graduation. This substantiates the findings of lower mean amounts of women's indebtedness from other data sources.

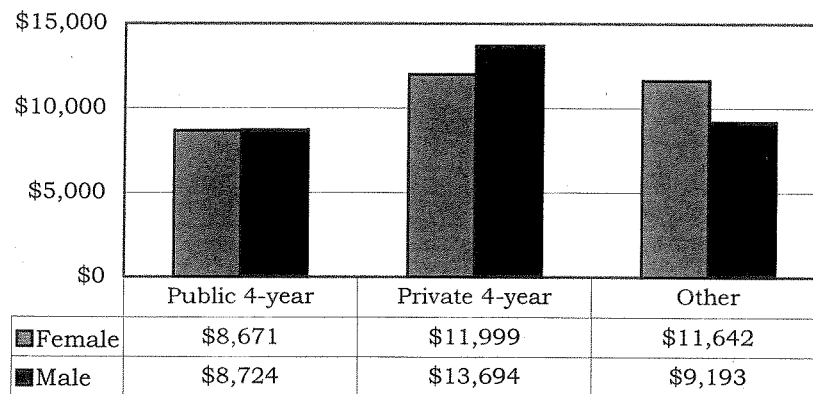
**TABLE 7**  
**Reported Total Indebtedness at Graduation**

	Female	Male
<b>Total Education Loan Indebtedness for Undergraduate Students</b>		
\$0	5.0%	0.0%
< \$5,000	21.6%	18.4%
\$5,000-10,000	28.5%	24.9%
\$10,000-15,000	22.8%	19.4%
\$15,000-20,000	10.7%	16.0%
\$20,000-25,000	4.5%	6.8%
\$25,000-30,000	2.8%	4.8%
\$30,000-40,000	1.6%	3.1%
\$40,000-50,000	1.0%	1.2%
> \$50,000	1.0%	1.0%
<b>Total Education Loan Indebtedness for Undergraduate and Graduate Students</b>		
\$10,000 or less	40.4%	30.5%
\$10,000-20,000	36.6%	34.1%
\$20,000-30,000	11.4%	18.2%
> \$30,000	11.5%	17.2%

Source: NASLS, 1996.

Interestingly, the amount of debt incurred by female and male undergraduates, while very similar at public colleges and universities, was 14% higher for males than females at private institutions (\$13,694 for men versus \$11,999 for women). Yet women's average debt at other types of institutions was higher than their male counterparts' debt (\$11,642 versus \$9,163) as shown in Chart 2.

**CHART 2**  
**Average Amount of Undergraduate Debt**  
**From All Sources, by Type of Institution**



Source: B&B:93/94

These observations are in contrast to the data based on NPSAS:96. However, the B&B data take into account borrowing from all sources, whereas the NPSAS data reflect borrowing from federal sources only.

The average amount borrowed was similar for white women and men and for Hispanic women and men, but about 10% higher for black men than women, as shown in Table 8.

**TABLE 8**  
**Average Amount of Undergraduate Loans**  
**Borrowed from All Sources, by Ethnicity/Race**

	Female	Male
Black/non-Hispanic	\$9,206	\$10,281
Hispanic	\$8,167	\$7,712
White	\$10,159	\$10,508
Asian/Pacific Islander (small n)	\$10,548	\$11,836
American Indian/Alaskan Native (small n)	\$9,663	NA

Source: B&B:93/94.

#### *Debt Burden*

The average monthly payment for women and men was very similar (\$133 for women and \$140 for men) in the B&B:93/94 data, as were monthly payments by amount borrowed (see Table 9). However, despite the fact that the proportions of women and men borrowing various amounts were very similar, men who borrowed more than \$10,000 had somewhat higher average monthly payments than comparable women (\$215 versus \$189 per month).

Average debt burden was 9% of monthly income. For women, monthly payments as a percentage of monthly income were more onerous than for men. Nearly 77% of women were working compared to nearly 86% of men. Their lower earnings<sup>9</sup> and incomes were more of a factor in debt burden than their somewhat lower indebtedness levels.

**TABLE 9**  
**Average Monthly Payment Toward**  
**Education Loans from All Sources**

	Female	Male
<b>Average Payment</b>	\$133	\$140
<b>Average Monthly Payments by Amount Borrowed</b>		
< \$5,000	\$82	\$84
\$5,000 to 9,999	\$125	\$129
\$10,000 or more	\$189	\$215
<b>Average Monthly Payment Type of Institution</b>		
Public 4-year	\$124	\$118
Private 4-year	\$178	\$156
Other	\$114	\$146
<b>Average Monthly Payment as Percentage of Monthly Income</b>		
< 5%	26.5%	36.3%
5-9%	39.1%	36.7%
10-14%	16.9%	13.5%
15-% or more	17.5%	13.6%

Source: B&B:93/94.

#### *Impacts of Indebtedness*

Indebtedness appears to have some, but not marked, impact upon behavior for both women and men one year after graduation. For example, nearly 75% of women who borrowed indicated they were saving; 76% of male borrowers reported saving as well. In general, the purpose of the saving was very similar for women and men. The only difference of note is that the proportion of women saving for retirement was significantly lower than that for men. Both women and men were equally likely to be living in their "own house or apartment" (70.3% of women and 69.5% of men) rather than with parents. There is little difference between men and women in this regard, even when the level of indebtedness is considered. There was an increased likelihood of living with parents for both men and women whose

<sup>9</sup> Female B&B:93/94 respondents reported average annual earnings of \$20,219 (\$22,286 for those working full-time); comparable men's earnings were \$24,517 (\$26,440 for full-time workers). Nearly 77% of women were working compared to nearly 86% of their male counterparts.

debt payments was greater than 15% of income. Marrying in the first year after graduation did not appear to be related to indebtedness for either women or men. (B&B:93/94 and NCES 1997a).

The NASLS data illustrate borrowers' attitudes toward their debt.<sup>10</sup> More women than men strongly felt that their education was "worth the investment for personal growth" (47% to 41%), while a quarter of the male respondents indicated that they were neutral, disagreed, or strongly disagreed with this (compared to 18% of women). Similarly, women and men are about the same in their views that loan payments are "unpleasant but worth it" (although women are somewhat less enthusiastic). This is reflected in the extent to which they feel "burdened by monthly payments." Women generally feel somewhat more burdened than do men (Baum & Saunders, 1997). This sense of burden may be a reflection of their lower earnings relative to men.

## Summary and Conclusions

Overall, these data reveal remarkably small differences in borrowing for undergraduate education between women and men. Three separate data sets, NPSAS:96, B&B:93/94, and NASLS, indicate that women were just slightly less likely to borrow than men. Women borrowed slightly smaller amounts than men in 1992-93, but currently are slightly more likely to borrow and are borrowing slightly larger amounts than men. Because of borrowing rates among women and the larger number of female undergraduates than men, there are more female borrowers overall.

Ethnic/racial background also has little relation to gender in terms of borrowing; nor does type of institution, except that women are less likely to borrow to attend "other" institutions [as opposed to 4-year public and private (non-profit) institutions]. Debt burdens (i.e., debt as a percentage of income) are slightly higher for women, despite their smaller indebtedness, probably because of their lower earnings. Both women and men view their loans as "worth it," but women tend to feel this somewhat more strongly than men do.

The increase in the number and proportion of women enrolled in undergraduate studies, the similarity between women and men with respect to the use of loans as a means to finance higher education, and the larger number of women borrowers suggest that human capital investment in higher education (and access to capital for such investment) is nearly equal between men and women. This trend toward equality has occurred with the expansion of the availability of funds through the federally-sponsored lending programs, suggesting that federal policy as a means of equalizing access to funds has been notably successful.

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<sup>10</sup> These data include respondents who may have borrowed for graduate as well as undergraduate expenses.

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